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THRU : Chief, Industrial Division, ORR

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Chief, Military Economics Branch, D/I
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Additional Questions for [REDACTED] ORR Control No. 11961

Background

An earlier requirement submitted by I/ME on 14 November 1957 has already been served on this source. The response recently received was highly satisfactory -- the original questions having been rather fully answered, with those areas in which no, or little, information was available being clearly indicated. Given the information the source has already been able to provide, it is thought that he might be able to provide additional information on subjects that seemed unlikely at the time the original requirement was drawn on the basis of biographical material circulated.

Requirement

The following questions should be considered as indicative of the type of information desired. Source should develop the general area of each question as fully as his knowledge permits. His speculations and impressions should be encouraged for those areas in which he has little, or no, information.

Where appropriate these questions should be, if it is possible: 1) answered for the USSR as well as for Poland; and 2) treated over time, beginning with 1950 and continuing through the present (and future if plans are known).

1. What are the financial relationships between Poland and the USSR with regard to Soviet troops stationed in Poland and for those troops transiting Poland?

a. Does Poland pay the equivalent of occupation costs to finance the Soviet military establishment in Poland?

- (1) If so: 1) where do these funds come from - i.e., where are they located in the Polish budget? and 2) who in the Soviet system receives these funds? Are they at the immediate disposal of the Soviet military establishment in Poland or are they incorporated into general Soviet budgetary revenue?

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(2) If not, in what manner does Poland support Soviet troops stationed on her territory, e.g., food, transport, etc., and how are these expenses borne?

b. For local procurement in Poland does the Soviet military establishment receive preferential prices? If so, are the producers subsidized and how is such subsidization effected?

2. Monitor Polski on 31 March 1955 published a decree signed by Marshall Rokossovski dealing with establishing prices for special order goods and services produced by enterprises under the Ministry of National Defense.

a. On the basis of this decree, prices apparently are to be based on the elements of cost denoted by source in computing factory price, but excluding profits. This decree provides for profit in the case of certain exceptions, however, and in those instances the profit is to be 3 percent of the costs.

How is this rate of 3 percent reconcilable with the 5 and 10 percent rates of profit stated by source? Does it denote the existence of other practice, etc.?

b. No explicit mention of amortization or depreciation was included in the decree, nor was it specified as an element of cost by the source in his treatment of factory price and selling price. Source did mention, however, accumulation as a factor in civilian prices and that it usually amounted to approximately 40 percent.

Can source expand on his statement on accumulation as a factor in civilian prices? Is this the source of all amortization or depreciation funds for the economy? Do industries producing armaments draw upon investment funds from the allocation to the national economy in the place of accumulating their own reserves for this purpose?

c. What are the financial and administrative relationships between enterprises under the Ministry of National Defense and their ministry?

What are the sources of funds for these enterprises and what disposal is made of their revenues? Are their revenues at the disposal of the Ministry of Defense and/or

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are profits, if any, turned into the budget as general revenue?

3. Polish-Soviet Trade in Military Hardware.

a. How are Polish imports of military hardware from the USSR financed? That is, what are the sources of funds in terms of budgetary accounts, etc.?

b. What is the volume of Polish imports of military and items from the USSR? Specify quantities of given items, as well, if possible.

c. What arrangements with the USSR exist when Poland produced Soviet models of military equipment?

4. Comment on Polish military expenditures in the context of the Polish budget. For example, what types of expenditure are covered by the explicit (announced) military allocation? What other funds are available for military programs and activities and what are the sources of these funds?

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Distribution:

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